

COUNCIL AGENDA: FEBRUARY 17, 2015

SUBJECT: CONSIDERATION OF WATER RATE INCREASE

SOURCE: Public Works Department – Field Services Division

COMMENT: As was stated in both this and last year's Budget messages, the City's Water Development, Operations and Replacement Funds are declining to a point where maintenance and replacement projects are being deferred due to lack of funding. The purpose of the Water Operating and Replacement Fund is to ensure that the water supply and distribution system will have the capacity to serve its residents and allow for new development, as outlined in the City's General Plan. The capacity and quality of the services provided by the Public Works Water Utilities significantly affect the quality of life enjoyed by those who live, work, and own property in Porterville.

In recent years, the Water Operating Fund has experienced a downward trend of revenue and an increase in expenses. The current drought conditions and water conservation efforts have further reduced water sales revenues. It is projected that the cash balance at the end of fiscal year 2014/2015 will have a shortfall of \$678,171. These trends are expected to continue as drought conditions persist, and potentially worsen, in the future.

The attached document (Document 1) shows the revenues and expenditures of the Water Operating Fund since 2009. The City charges a \$5 flat rate on a typical residential meter and charges 72¢ per 100 cubic feet of water. Document 1 also shows that the City can expect a \$678,171 deficit at the end of the fiscal year in the Water Operating Fund. Budget discussions are set to begin the latter part of this month, which present an opportune time for Council and staff to begin the process of prioritizing water main deficiencies for the purpose of developing a water main replacement program.

It is staff's recommendation that the City Council consider a rate increase of \$5 on a typical residential meter, as well as an 18¢ water rate increase. A proportional increase on all other meters is also being recommended. Document 2 shows that the rate increase will have an immediate effect and, by the end of the 2015/2016 fiscal year, the City will experience a \$948,751 budget surplus. The suggested increases will augment the Water Operating Fund so that a meaningful "Water Main Replacement"

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program can be developed. With the next fiscal year beginning July 1<sup>st</sup>, and in accordance with Proposition 218 legal requirements (which provides for at least a 45-day notice of a protest hearing for a proposed fee increase), staff recommends that the City Council consider the setting of a Public Hearing for no later than May 19, 2015.

RECOMMENDATION: That City Council:

1. Consider the scheduling of a Public Hearing for May 19, 2015, to consider a water rate increase; and
2. Direct the City Clerk to place the necessary public notice into the Porterville Recorder and direct the Utilities Division to place the necessary public notice on City utility invoices for the month of March 2015, announcing that a protest hearing, per requirements of Proposition 218, shall be held May 19, 2015, for consideration of a water rate increase.

ATTACHMENT: Water Fund Revenues and Expenses  
(Documents 1 & 2)

		Revenues & Expenditures History				
		2009/10 Actual	2010/2011 Actual	2011/2012 Actual	2012/2013 Actual	2013/2014 Actual
<b>FUND 34</b>	<b>WATER OPERATING FUND</b>					
	<b>Total Operating Revenues</b>	\$ 4,653,373	\$ 4,860,523	\$ 4,766,336	\$ 4,947,106	\$ 5,031,187
	<b>Total Operating Expense</b>	\$ 4,346,836	\$ 4,149,737	\$ 4,182,687	\$ 4,062,386	\$ 4,571,217
	<b>Operating Balance +/-(-)</b>	\$ 306,537	\$ 710,786	\$ 583,649	\$ 884,720	\$ 459,970
<b>Cash</b>	Bond payment 2002 COP	\$ 259,488	\$ 405,000	\$ 425,000	\$ 455,000	\$ 485,000
<b>Payments</b>	2009 CIEDB	\$ -	\$ -	\$ 138,602	\$ 143,925	\$ 149,451
	2010 CIEDB	\$ -	\$ -	\$ 31,600	\$ 32,647	\$ 33,728
	<b>Total Cash Payment</b>	\$ 259,488	\$ 405,000	\$ 595,202	\$ 631,572	\$ 668,179
	<b>NET Revenue +/-(-)</b>	\$ 47,049	\$ 305,786	\$ (11,553)	\$ 253,148	\$ (208,209)

		Revenues & Expenditures 2014/2015		Revenues & Expenditures Projected				
		2014/2015 BUDGETED	2014/2015 Year End Projection (Dec YTD)	2015/2016 PROJECTED BUDGET	2016/2017 PROJECTED BUDGET	2017/2018 PROJECTED BUDGET	2018/2019 PROJECTED BUDGET	2019/2020 PROJECTED BUDGET
<b>FUND 34</b>	<b>WATER OPERATING FUND</b>							
	<b>Total Operating Revenues</b>	\$ 4,906,000	\$ 4,463,901	\$ 4,400,235	\$ 4,400,235	\$ 4,400,235	\$ 4,400,235	\$ 4,400,235
	<b>Total Operating Expense</b>	\$ 4,639,774	\$ 4,437,038	\$ 4,495,000	\$ 4,626,900	\$ 4,660,438	\$ 4,795,647	\$ 4,832,560
	<b>Operating Balance +/-(-)</b>	\$ 266,226	\$ 26,863	\$ (94,765)	\$ (226,665)	\$ (260,203)	\$ (395,412)	\$ (432,325)
<b>Cash</b>	Bond payment 2002 COP	\$ 515,000	\$ 515,000	\$ 545,000	\$ 575,000	\$ 605,000	\$ 635,000	\$ -
<b>Payments</b>	2009 CIEDB	\$ 155,190	\$ 155,190	\$ 161,149	\$ 167,337	\$ 173,763	\$ 180,436	\$ 187,364
	2010 CIEDB	\$ 34,844	\$ 34,844	\$ 35,997	\$ 35,997	\$ 35,997	\$ 35,997	\$ 35,997
	<b>Total Cash Payment</b>	\$ 705,034	\$ 705,034	\$ 742,147	\$ 778,335	\$ 814,761	\$ 851,433	\$ 223,362
	<b>NET Revenue +/-(-)</b>	\$ (438,808)	\$ (678,171)	\$ (836,912)	\$ (1,005,000)	\$ (1,074,963)	\$ (1,246,845)	\$ (655,686)

**FUND 34 WATER OPERATING FUND****Total Operating Revenues**

Revenues & Expenditures History					
	2009/10 Actual	2010/2011 Actual	2011/2012 Actual	2012/2013 Actual	2013/2014 Actual
<b>Total Operating Revenues</b>	\$ 4,653,373	\$ 4,860,523	\$ 4,766,336	\$ 4,947,106	\$ 5,031,187
<b>Total Operating Expense</b>	\$ 4,346,836	\$ 4,149,737	\$ 4,182,687	\$ 4,062,386	\$ 4,571,217
<b>Operating Balance +/-</b>	\$ 306,537	\$ 710,786	\$ 583,649	\$ 884,720	\$ 459,970
<b>Cash Payments</b>					
Bond payment 2002 COP	\$ 259,488	\$ 405,000	\$ 425,000	\$ 455,000	\$ 485,000
2009 CIEDB	\$ -	\$ -	\$ 138,602	\$ 143,925	\$ 149,451
2010 CIEDB	\$ -	\$ -	\$ 31,600	\$ 32,647	\$ 33,728
<b>Total Cash Payment</b>	\$ 259,488	\$ 405,000	\$ 595,202	\$ 631,572	\$ 668,179
<b>NET Revenue +/-</b>	\$ 47,049	\$ 305,786	\$ (11,553)	\$ 253,148	\$ (208,209)

**FUND 34 WATER OPERATING FUND****Total Operating Revenues****Total Operating Expense****Operating Balance +/-****Cash Payments**

Bond payment 2002 COP

2009 CIEDB

2010 CIEDB

**Total Cash Payment****NET Revenue +/-**

Average Monthly Residential Bill

Revenues & Expenditures 2014/2015		Revenues & Expenditures Projected				
2014/2015 BUDGETED	2014/2015 Year End Projection (Dec YTD)	2015/2016 PROJECTED BUDGET	2016/2017 PROJECTED BUDGET	2017/2018 PROJECTED BUDGET	2018/2019 PROJECTED BUDGET	2019/2020 PROJECTED BUDGET
<b>Total Operating Revenues</b>	\$ 4,906,000	\$ 4,463,901	\$ 6,185,898	\$ 6,185,898	\$ 6,185,898	\$ 6,185,898
<b>Total Operating Expense</b>	\$ 4,639,774	\$ 4,437,038	\$ 4,495,000	\$ 4,626,900	\$ 4,660,438	\$ 4,795,647
<b>Operating Balance +/-</b>	\$ 266,226	\$ 26,863	\$ 1,690,898	\$ 1,558,998	\$ 1,525,460	\$ 1,390,251
<b>Cash Payments</b>						
Bond payment 2002 COP	\$ 515,000	\$ 515,000	\$ 545,000	\$ 575,000	\$ 605,000	\$ 635,000
2009 CIEDB	\$ 155,190	\$ 155,190	\$ 161,149	\$ 167,337	\$ 173,763	\$ 180,436
2010 CIEDB	\$ 34,844	\$ 34,844	\$ 35,997	\$ 35,997	\$ 35,997	\$ 35,997
<b>Total Cash Payment</b>	\$ 705,034	\$ 705,034	\$ 742,147	\$ 778,335	\$ 814,761	\$ 851,433
<b>NET Revenue +/-</b>	\$ (438,808)	\$ (678,171)	\$ 948,751	\$ 780,663	\$ 710,699	\$ 538,818
Average Monthly Residential Bill		\$21.00	\$30.00	\$30.00	\$30.00	\$30.00